

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name PORT OF MONROE PORT DISTRICT	County MONROE
Audit Date JUNE 30, 2004	Opinion Date JULY 22, 2004	Date Accountant Report Submitted to State: OCTOBER 14, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed		
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, CPAS, PLLC			
Street Address ONE SOUTH MONROE STREET	City MONROE	State MI	ZIP 48161
Accountant Signature <i>D/K Hehl CPA</i>		Date 10/14/04	

PORT OF MONROE
Monroe, Michigan

FINANCIAL REPORT

For the Year Ending June 30, 2004

PORT OF MONROE

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Independent Auditor's Report

Monroe Port Commission
Port of Monroe
2929 East Front Street
Monroe, Michigan 48161

We have audited the accompanying financial statements of the Port of Monroe, Monroe, Michigan, a component unit of the City of Monroe, Michigan as of and for the year then ended June 30, 2004 as listed in the table of contents. These financial statements are the responsibility of the Port of Monroe management. Our responsibility is to report on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our report.

The financial statements present only the Port of Monroe, and are not intended to present fairly the financial position of the City of Monroe, Michigan and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds.

As discussed in Note 9 to the financial statements, the Port of Monroe owns property which is undergoing environmental remediation. The Port of Monroe is one of several potentially responsible parties for these costs, the total amount of which has not been determined. As of June 30, 2004 a provision was made in the accompanying financial statements for the minimum amount of the range of estimated liability.

Because of the significance of the uncertainty described in the preceding paragraph, we are unable to express, and we do not express, an opinion on the financial statements referred to in the first paragraph for the year ended June 30, 2004.

Management's Discussion and Analysis is not a required part of the financial statements, but is required supplementary information. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Monroe Port Commission
Port of Monroe

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Our audit was conducted for the purpose of forming an opinion on the financial statements of the Port of Monroe, taken as a whole. The budgetary comparison schedule is presented for additional analysis and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements but, as noted above, because of the significance of the uncertainty described above, we are unable to express, and we do not express an opinion on the schedule.

Corley Hohl Wohlgamuth & Carlton, PLLC

July 22, 2004

**PORT OF MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Monroe Port Commission, we offer the readers of the Monroe Port Commission's financial statements this narrative overview and analysis of the financial activities of the Monroe Port Commission for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter, also called the Independent Auditor's Report, found in the front of this report, and the Port's financial statements, which follow this section.

Financial Highlights

The Port of Monroe (the "Port") is a separate legal entity created by a vote of the people of the City of Monroe (the "City") in 1932 in accordance with the Port District Act. For accounting purposes, it is considered a component unit of the City.

As shown on the Statement of Net Assets below, the Port's assets exceed its liabilities by \$3,297,499. The net assets have decreased by \$74,530 for fiscal year 2003-2004 when comparing the beginning of the fiscal year to the end of the fiscal year. In considering this decrease, it should be noted that the financial statements reflect a non-cash depreciation expense of \$93,428. Net assets may, over time, enable governmental agencies to determine their overall fiscal position. With respect to net assets, the Port's net asset position has remained essentially the same from the beginning of the fiscal year.

The Port's position in cash and cash equivalents decreased by \$110,224 during fiscal year ended June 30, 2004. This decrease was primarily the result of capital asset additions of \$113,703. These additions pertain to infrastructure improvements related to the ground lease with Schonsheck Inc. and clearing of demolition material for the 32 acre site adjacent to and on the westside of I-75.

Overview of Financial Statements

This discussion and analysis is intended to provide a basis of understanding of the Port's basic financial statements. These statements present the following components: presentation of net assets; presentation of revenues, expenses, and cash flows; notes to financial statements; and supplemental information. While the financial statements show other non-operating revenues including property tax, the operations of the Port as a component unit of the City are accounted for as a single proprietary fund that accounts for the operations that are financed through user charges to the general public.

Statement of Net Assets. The statement of net assets presents information on all of the Port's assets and liabilities, with differences between the two reported as net assets. The capital assets of the Port are listed in the Statement of Net Assets. Over time, increases and decreases in the net assets reflect activities by the Port that may have positive or negative financial impact on the overall fiscal position of the Port.

PORT OF MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

Statements of Revenues, Expenses and Cash Flows. These statements present information about the Port's operating and non-operating revenues and expenses, a comparison of cash and cash equivalents between the beginning and the end of the fiscal year, and a reconciliation of operating income to net cash from operating activities.

Notes to the financial statements. The notes provide additional information for a full understanding of the data provided in the Port's financial statements.

Supplemental Information. The supplemental information in the Port's financial statements consists of the budgetary schedule, which compares actual amounts with the original and amended budgets as approved by the Port and the City.

Below you will find the financial statements presented in a condensed format. The details along with certain reconciliations are presented in the financial statements that follow Management's Discussion and Analysis.

Condensed Statement of Net Assets

	<u>2004</u>	<u>2003</u>
Current assets	\$ 416,584	\$ 518,945
Restricted cash - held in trust	28,282	29,101
Property and Equipment	<u>3,585,404</u>	<u>3,565,129</u>
Total assets	<u>\$ 4,030,270</u>	<u>\$ 4,113,175</u>
Current liabilities	\$ 280,213	\$ 268,588
Deferred income - rent	52,558	52,558
Environmental	300,000	300,000
Due to City of Monroe (Extension of Utilities)	<u>100,000</u>	<u>120,000</u>
Total liabilities	<u>\$ 732,771</u>	<u>\$ 741,146</u>
Net Assets		
Invested in capital assets-net of related debt	\$ 3,465,404	\$ 3,425,129
Restricted - environmental trust	28,282	29,101
Unrestricted	<u>(196,187)</u>	<u>(82,201)</u>
Total net assets	<u>\$ 3,297,499</u>	<u>\$ 3,372,029</u>

PORT OF MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004

Condensed Statement of Revenues, Expenses, and Changes in Net Assets and Cash and Cash Equivalents

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 121,544	\$ 118,779
Non-Operating revenues	<u>226,251</u>	<u>219,056</u>
Total revenues	347,795	337,835
Operating expenses		
Total expenses	<u>422,325</u>	<u>370,003</u>
Change in net assets (revenues less expenses)	<u>\$ (74,530)</u>	<u>\$ (32,168)</u>
Total net assets, beginning of year	\$ 3,372,029	\$ 3,404,197
Increase (Decrease) in net assets	<u>(74,530)</u>	<u>(32,168)</u>
Total net assets, end of year	<u>\$ 3,297,499</u>	<u>\$ 3,372,029</u>
Cash in	\$ 336,435	\$ 396,947
Cash out	<u>(446,659)</u>	<u>(297,501)</u>
Net Increase (Decrease) in cash & cash equivalents	<u>\$ (110,224)</u>	<u>\$ 99,446</u>
Cash and cash equivalents, beginning of year	\$ 211,037	\$ 111,591
Net Increase (Decrease) in cash and cash equivalents	<u>(110,224)</u>	<u>99,446</u>
Cash and cash equivalents, end of year	<u>\$ 100,813</u>	<u>\$ 211,037</u>

Financial Analysis

Land rental revenues increased from the Schonsheck project as discussed in Note 5 to the financial statements. The increase is attributed to the contribution made by the Port to the additional infrastructure costs, which by agreement, started the 50% rent sharing in November 2003. It is expected this increase will continue because a new rental rate is expected to be in effect in 2005 and there will be a full 12 months of income. The operating expenses increased primarily because the Port has been directed to prepare a security plan for the Department of Homeland Security. The draft report has been reviewed by the U.S. Coast Guard and is being revised based upon the Coast Guard's comments. There were also additional engineering and legal expenses due to increased interest in the lease or purchase of Port property. The capital assets, net of depreciation and related debt, increased by \$40,275 because of the Port's contribution to additional infrastructure costs to the Schonsheck project as mentioned above.

**PORT OF MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004**

Budgetary Highlights

The Port budget is set out in the supplement information comparing the initial and amended budgets and the actual amounts spent in the various categories. The difference in the initial budgeted amount for consulting engineers compared to the actual amount results from the requirement that the Port prepare a homeland security plan under the direction of the United States Coast Guard. Most of this amount represents a one time charge for the plan preparation. The cost of updating the plan will be less in subsequent years. There were also additional engineering and legal expenses due to increased interest in the lease or purchase of Port property. The Port prepares an annual budget for submission to and approval by the City as required by the Port District Act.

The wastewater treatment expense increased by \$12,380, or 76%, over the prior year. This increase resulted primarily from an increase in storm water and a rate increase. The amount of rainfall will be a primary factor in this expense in the future.

Capital Asset and Debt Administration

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Total Nondepreciable Capital Assets	\$2,282,607	\$ 18,219	\$ -	\$2,300,826
Total Depreciable Capital Assets	<u>2,621,739</u>	<u>95,484</u>	<u>4,205</u>	<u>2,713,018</u>
Total Capital Assets	4,904,346	<u>\$113,703</u>	<u>\$ 4,205</u>	5,013,844
Less Total Accumulated Depreciation	<u>1,339,217</u>	<u>\$ 93,428</u>	<u>\$ 4,205</u>	<u>1,428,440</u>
Total Capital Assets, Net	<u>\$3,565,129</u>			<u>\$3,585,404</u>

During fiscal 2003-2004 the Port contributed approximately \$90,000 to complete the cost of the infrastructure servicing the Schonsheck building as discussed previously. This capital contribution will increase the Port's share of the land rental on an annual basis for this project. The Port contributed engineering services to demolition debris removal from Port land located between I-75 and the Schonsheck building as reflected in the nondepreciable capital assets. This activity will increase the marketability and value of the cleared land.

The Port has agreed to reimburse the City for cost of certain infrastructure improvements as a part of a state grant. The balance of \$120,000 as of June 30, 2004, will be paid in annual installments of \$20,000 until paid in full. See Note 11 to the financial statements for more detailed information.

**PORT OF MONROE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2004**

Economic Factors

During fiscal 2004, the Port has experienced an increase in the number of inquiries about industrial development at the Port and about using its berthing facilities as a part of the intermodal transportation network. In part, this increase in the number of inquiries, regarding the use of the berthing facilities, is apparently due to rising cost in other types of transportation. The Port continues to have parties seriously interested in leasing or purchasing land for development purposes, but no new long term leases or sales have occurred in fiscal 2004. The 106,000 square foot multipurpose building located on Port property continues to be fully leased and a new rental rate is expected to go into effect in calendar 2005. It is expected that the Port will receive increase revenue from its land rental agreement for this project.

The Port will continue to work with the Michigan Department of Environmental Quality in finalizing an interim remedial action plan for the old industrial landfill located east of I-75 and will continue to devote a significant portion of its revenues to this necessary activity. Overall, however, the Port does not foresee any significant changes in its revenues or expenses for the fiscal year ending June 30, 2005.

Requests for Information

This financial report is designed to provide a general overview of the Port's finances for all those with an interest in this component unit of the City. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Monroe Port Commission, Attention: Chairman, 2929 E. Front Street, P.O. Box 585, Monroe, MI 48161.

BALANCE SHEET

June 30, 2004

	<u>2004</u>
Assets	
Current Assets	
Cash and cash equivalents	\$100,813
Accounts receivable, less allowance of \$45,000	51,183
Property taxes receivable, less allowances of \$12,746	15,020
Due from City of Monroe - property taxes	222,351
Prepaid expenses	<u>27,217</u>
Total Current Assets	416,584
Restricted cash - held in trust	28,282
Property and equipment	<u>3,585,404</u>
Total Assets	<u><u>\$4,030,270</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$18,234
Due to City of Monroe	20,000
Deferred income - property taxes	234,053
Current portion of deferred income - rent	<u>7,926</u>
Total Current Liabilities	280,213
Deferred income - rent	52,558
Environmental	300,000
Due to City of Monroe	<u>100,000</u>
Total Liabilities	<u>732,771</u>
Net Assets	
Invested in capital assets, net of related debt of \$120,000	3,465,404
Restricted - environmental trust	28,282
Unrestricted	<u>(196,187)</u>
Total Net Assets	<u>3,297,499</u>
Total Liabilities and Net Assets	<u><u>\$4,030,270</u></u>

(See accompanying notes to financial statements)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2004

	Amount	Percentage of Operating Revenue
Operating Revenues		
Building rental	\$43,391	35.7
Land rental	34,278	28.2
Wharfage and dockage	33,813	27.8
MCIDC - office rental	10,000	8.2
Other	62	0.1
Total Operating Revenues	121,544	100.0
Operating Expenses		
Consulting engineers	79,893	65.7
Clerical salary	34,525	28.4
Environmental expense	6,999	5.8
Environmental travel and meetings	895	0.7
Repairs and maintenance	37,810	31.1
Legal	58,687	48.3
Auditing and accounting	10,560	8.7
Utilities	8,187	6.7
Telephone	1,085	0.9
Office supplies and postage	1,755	1.4
Life and medical insurance	2,177	1.8
General insurance	30,536	25.1
Payroll tax	2,641	2.2
Office cleaning	3,120	2.6
Travel - general	486	0.4
Promotion	1,166	1.0
Dues and subscriptions	1,720	1.4
Deferred compensation plan	1,900	1.6
Miscellaneous expense	674	0.5
Commissioner fees	5,300	4.4
Advertising	98	0.1
MCIDC - marketing	10,000	8.2
Depreciation expense	93,428	76.9
Wastewater treatment	28,683	23.6
Total Operating Expenses	422,325	347.5
Operating Income (Loss)	(300,781)	(247.5)
Nonoperating Revenues		
Interest income	1,994	
Property tax - City of Monroe, net of allowance	224,257	
Nonoperating Revenues	226,251	
Change in Net Assets	(74,530)	
Total Net Assets, Beginning of Year	3,372,029	
Total Net Assets, End of Year	\$3,297,499	

(See accompanying notes to financial statements)

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2004

Cash Flows From Operating Activities:	
Cash received from customers and tenants	\$113,502
Cash payments to suppliers for goods and services	(279,121)
Cash payments to employees for services	(34,525)
	<hr/>
Net Cash Provided By (Used For) Operating Activities	(\$200,144)
Cash Flows From Noncapital Financing Activities:	
Cash received from property tax - City of Monroe	220,939
	<hr/>
Net Cash Provided By (Used For) Financing Activities	220,939
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(113,832)
Principal payment on long-term debt	(20,000)
	<hr/>
Net Cash Provided By (Used For) Financing Activities	(133,832)
Cash Flows From Investing Activities:	
Interest received on investments	1,994
Assets added to trust and escrow	(180)
Trust and escrow reductions	999
	<hr/>
Net Cash Provided By (Used In) Investing Activities	2,813
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(110,224)
Cash and Cash Equivalents, Beginning of Year	211,037
	<hr/>
Cash and Cash Equivalents, End of Year	<u><u>\$100,813</u></u>

(See accompanying notes to financial statements)

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES
For the Fiscal Year Ended June 30, 2004

Operating Income (Loss)	(\$300,781)
Adjustments to Reconcile Operating Income (Loss) from Operations to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	93,428
Change in Assets and Liabilities:	
Decrease (Increase) in accounts receivable	1,958
Decrease (Increase) in prepaid expenses	(595)
Increase (Decrease) in other accounts payable	5,846
Increase (Decrease) in deferred income - rent	<u>0</u>
Total Adjustments	<u>100,637</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>(\$200,144)</u></u>

(See accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

Note 1 Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies of the Port of Monroe.

A. Financial Reporting Entity

The Port of Monroe is a separate legal entity and a component unit of the City of Monroe for financial reporting purposes.

The Port was created by public vote in 1932, under the Michigan Port Districts Act 234 of 1925, as amended. It is administered by the Monroe Port Commission, consisting of five commissioners appointed to three year terms by the Mayor of the City of Monroe.

B. Basis of Presentation

The operations of the Port are accounted for in a single enterprise type fund as outlined in Governmental Accounting Standards Board (GASB) No. 34. The fund is used to account for operations that are financed through user charges to the general public.

C. Basis of Accounting

The Port of Monroe uses the accrual basis method of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. Depreciation expense is recorded for the period.

The Port distinguishes operating revenue and expense from non-operating items. The principal operating revenues are rent, wharfage and dockage. Non-operating revenue includes property taxes, appropriated by the City of Monroe, and interest. The Port applies only those applicable FASB pronouncements issued prior to November 30, 1989.

D. Budget Information

Prior to the beginning of the fiscal year a budget is approved by the Port Commission subject to the approval of the Monroe City Council. Budget amounts are as originally adopted, or as amended if applicable. Unexpended appropriations lapse at year end.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash in banks, certificates of deposit and investment pools with original maturities of less than three months.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

Note 1 Summary of Significant Accounting Policies (Concluded)

F. Capital Assets

Items capitalized are valued at cost. The depreciable capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. The major portion of these assets are rented to others on operating leases.

<u>Depreciation Categories</u>	<u>Life in Years</u>
Land & Earthen dike	0
Road and site improvements	0-25
Railroad siding	10-50
Wharf	7-50
Dredging	20
Leachate collection system	7-20
Rental building	10-33
Office building	3-39
Furniture and Equipment	5-10

G. Property Taxes

Properties are assessed and appropriated by the City of Monroe as of December 31. These taxes are billed and become an enforceable lien on the first Tuesday in May of the following year. These taxes are due on June 30 with the final collection date of September 15 before they are added to the county tax rolls.

Property taxes billed each May will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at June 30.

H. Grants

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Note 2 Cash and Cash Equivalents

The Port of Monroe uses only bank depositories for its funds available to invest. The following table details the carrying value and bank balance of the Port's total deposits including time deposits, the amount covered by federal depository insurance (FDI) and the amount in uninsured and uncollateralized accounts:

	<u>June 30, 2004</u>
Carrying value of total deposits	<u>\$100,813</u>
Bank balance of deposits	\$100,813
Amount covered by FDI	<u>100,000</u>
Cash in uninsured and uncollateralized accounts	<u>\$ 813</u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

Note 2 Cash and Cash Equivalents (Concluded)

The Port of Monroe believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Port evaluates each financial institution with which it deposits Port funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Refer to note 1-E for the accounting policy for cash equivalents.

Note 3 Property and Equipment

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2004 as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$1,633,209	\$ -	\$ -	\$1,633,209
Site improvements	328,337	18,219	-	346,556
Earthen dikes	<u>321,061</u>	<u>-</u>	<u>-</u>	<u>321,061</u>
Total Nondepreciable Capital Assets	2,282,607	18,219	-	2,300,826
Depreciable Capital Assets:				
Road and site improvements	778,105	91,977	-	870,082
Railroad siding	268,785	-	-	268,785
Wharf	218,872	-	-	218,872
Dredging	374,445	-	-	374,445
Leachate collection system	36,056	-	-	36,056
Rental buildings	291,805	-	-	291,805
Office building	574,614	-	-	574,614
Furniture and equipment	<u>79,057</u>	<u>3,507</u>	<u>4,205</u>	<u>78,359</u>
Total Depreciable Capital Assets	<u>2,621,739</u>	<u>95,484</u>	<u>4,205</u>	<u>2,713,018</u>
Total Capital Assets	\$4,904,346	<u>\$113,703</u>	<u>\$4,205</u>	\$5,013,844
Less Accumulated Depreciation:				
Road and site improvement	203,262	34,296	-	237,558
Railroad siding	126,041	5,706	-	131,747
Wharf	200,350	3,470	-	203,820
Dredging	263,685	18,722	-	282,407
Leachate collection system	13,710	1,761	-	15,471
Rental Buildings	230,834	8,934	-	239,768
Office building	232,459	17,198	-	249,657
Furniture and equipment	<u>68,876</u>	<u>3,341</u>	<u>4,205</u>	<u>68,012</u>
Total Accumulated Depreciation	<u>1,339,217</u>	<u>\$93,428</u>	<u>\$4,205</u>	<u>1,428,440</u>
Total Capital Assets, Net	<u>\$3,565,129</u>			<u>\$3,585,404</u>

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

Note 4 Assets Held in Trust

As discussed in more detail in Note 9, the Port is taking part in a work plan to resolve the environmental contamination at the Port of Monroe. The Port of Monroe and Harsco Corporation have each advanced funds to a trust to fund a work plan for remedial investigation and feasibility study. The Port's share of the trust fund balance at June 30, 2004 was \$28,282.

Note 5 Rental Income

The terms of the rental agreements are varied, and are changed from time to time when they are renewed. Several of the agreements can be terminated by written notification in advance by either party while for others the termination clause is conditional. All leases are accounted for as operating leases.

The following is a schedule by years of minimum future rental income on noncancellable operating leases with terms of one year or longer as of June 30, 2004:

2005	\$ 14,685
2006	23,739
2007	32,791
2008	32,791
2009	27,488
2010 and thereafter	43,838
Total	<u>\$175,332</u>

In September of 1999, the Port of Monroe as lessor entered into an agreement with a developer for a 50 year ground lease with renewal options. Since then the developer, Schonsheck, Inc., has constructed a 106,000 square foot multipurpose building that can be leased as one unit or four sub-units. The Port has ownership interest in the land and certain infrastructure that will service the building and surrounding area. The developer constructed the building and incurred costs associated with leasing the building. The facility became fully leased as of July 1, 2002. The development agreement provides that the developer will first make payment of his debt service related to all construction costs and his management fees from the gross rent paid by the subtenants and the Port will receive one-half of the net cash flow or net rent after the payment of the agreed upon costs. On October 15, 2003 the Port paid \$91,977 for the final share of infrastructure costs. This payment equalized each party's contribution to the project. As of November 1, 2003, the Port started receiving one-half of the net rent from the subtenants based on the terms of the lease. The rent income for the fiscal year was \$ 15,797.

Note 6 Retirement Plan

The Port offers its employee a deferred compensation plan with the Equitable Life Assurance Society, which holds the funds as agent. The plan, available to all Port employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to its employee until termination, retirement, death, or unforeseeable emergency. The employee deferred \$1,910 of her compensation in fiscal 2004. The Port budgeted and contributed \$1,900 in fiscal 2004, which was 5.5% of compensation. The total deferred account balance was \$18,437 as of June 30, 2004.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

Note 7 Michigan Unemployment

The Port of Monroe has elected the reimbursement method of paying for Michigan unemployment benefits claimed by an eligible Port employee; and therefore, has a contingent liability. Since there is only one employee this unrecorded liability would be relatively small.

Note 8 Monroe County Industrial Development Corporation

The Monroe County Industrial Development Corporation (MCIDC) is a non-profit corporation whose purpose is to promote the development of industry in the area. The Port of Monroe and the MCIDC share similar goals and the MCIDC is providing marketing services to prospective clients interested in locating in the Port area.

MCIDC occupies office space at the Port office building in exchange for marketing services. The rental value and services were valued at \$10,000 for fiscal June 30, 2004. MCIDC reimburses the Port for postage and incidental items.

Note 9 Port Property Under Environmental Remediation

The Port of Monroe owns approximately 317 acres of a 480 acre track of land that has been identified as a site of environmental contamination by the Michigan Department of Environmental Quality (MDEQ). The MDEQ has notified the Port Commission and more than seventy (70) other individual and corporate entities that they have been identified as potentially responsible parties. The remedial investigation of the land has been substantially completed. The data collected has demonstrated that there is no serious risk to human health or to the environment. The land is available for industrial development except for relatively small portions needed to construct and maintain shore protection, intermodal transportation easements, and utility corridors. By submitting a baseline environmental assessment (BEA) under Michigan's Natural Resources and Environmental Protection Act (NREPA) to the MDEQ, prospective developers have liability protection from existing environmental contamination. Remedial action will probably consist of limited monitoring and shore protection in selected areas. The Port Commission and Harsco Corporation continue to work cooperatively with MDEQ toward a final remedial action plan (RAP) for all of the land that will bring closure to the site. An interim remedial action plan (IRAP) for the land east of Interstate 75 has been reviewed by MDEQ. The Port representatives have met with MDEQ to discuss various options which are currently under consideration. The Port Commission has established the sum of \$300,000 on its balance sheet under liabilities to represent an estimate of its share of the remedial action costs based upon present information.

Note 10 Risk Management

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port participates in the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool operating a common risk management and insurance program. The Port pays an annual premium to MMLPP for its general insurance coverage. MMLPP is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event. The Port carries workers' compensation insurance with the Michigan Municipal League.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

Note 10 Risk Management (Concluded)

Settled claims resulting from the various risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11 Due to City of Monroe

The City of Monroe is obligated to repay the Michigan Economic Development Corporation \$400,000. A grant was obtained by the City of Monroe for Port improvements intended to encourage development and create jobs. Since the conditions of the grant were not met by the deadline, the City is required to repay the grant over ten years with possible reductions of \$20,000 per job created during the repayment period. The Port has agreed to participate in the repayment on an annual basis. The maximum amount is recorded "due to the City of Monroe," totaling \$120,000 as of June 30, 2004.

Balance - July 1, 2003	\$140,000
Principal paid	<u>20,000</u>
Balance - June 30, 2004	<u>\$120,000</u>

The annual requirements to service the debt outstanding as of June 30, 2004 are as follows:

<u>Fiscal June 30</u>	
2005	\$ 20,000
2006	20,000
2007	20,000
2008	20,000
2009	20,000
2010 and thereafter	<u>20,000</u>
Total	<u>\$120,000</u>

Note 12 Contingencies

In the normal course of its activities, the Port may be a party to certain legal actions. The Port and its legal counsel are of the opinion that there are no legal actions which will have a material effect on the financial statements.

Note 13 Accounting Changes

Effective July 1, 2002, the Port implemented the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Port has reported capital assets, depreciation and other transactions in prior years such that the July 1, 2002 net assets do not require restatement.

SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2004
(See Accompanying Independent Auditors' Report)

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Amended Positive (Negative)
Operating Revenues				
Building rental	\$42,000	\$43,000	\$43,391	\$391
Land rental	16,000	31,000	34,278	3,278
Wharfage and dockage	32,500	29,000	33,813	4,813
MCIDC - office rental	10,000	10,000	10,000	0
Other	500	50	62	12
Total Operating Revenues	101,000	113,050	121,544	8,494
Operating Expenses				
Consulting engineers	58,500	84,200	79,893	4,307
Clerical salary	35,525	34,525	34,525	0
Environmental expense	15,000	7,000	6,999	1
Environmental travel and meetings	2,000	1,500	895	605
Repairs and maintenance	55,000	43,600	37,810	5,790
Legal	65,000	60,000	58,687	1,313
Auditing and accounting	9,000	10,600	10,560	40
Utilities	8,000	8,000	8,187	(187)
Telephone	1,200	1,200	1,085	115
Office supplies and postage	2,000	2,000	1,755	245
Life and medical insurance	4,000	2,300	2,177	123
General insurance	30,000	32,000	30,536	1,464
Payroll tax	2,750	2,650	2,641	9
Office cleaning	3,200	3,200	3,120	80
Travel - general	1,000	1,000	486	514
Promotion	2,000	1,000	1,166	(166)
Dues and subscriptions	2,200	1,600	1,720	(120)
Deferred compensation plan	1,900	1,900	1,900	0
Miscellaneous expense	1,000	500	674	(174)
Commissioner fees	5,000	5,500	5,300	200
Contingency expense	1,000	1,000	0	1,000
Security	1,000	0	0	0
Advertising	2,500	1,000	98	902
MCIDC - marketing	10,000	10,000	10,000	0
Depreciation expense	90,000	94,000	93,428	572
Wastewater treatment	12,500	30,000	28,683	1,317
Total Operating Expenses	421,275	440,275	422,325	17,950
Operating Income (Loss)	(320,275)	(327,225)	(300,781)	26,444
Nonoperating Revenues (Expenses)				
Interest income	4,000	1,950	1,994	44
Property tax - City of Monroe net of allowance	200,000	209,000	224,257	15,257
Net Nonoperating Revenues	204,000	210,950	226,251	15,301
Change in Net Assets	<u>(\$116,275)</u>	<u>(\$116,275)</u>	<u>(\$74,530)</u>	<u>\$41,745</u>



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Port of Monroe
2929 East Front Street
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Report of Comments and Recommendations

Board Members:

In planning and performing our audit of the financial statements of the Port of Monroe, for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. During the course of our audit, we noted certain practices and procedures which we believe are worthy of comment.

Our comments on these items are set forth herein for your review and have been discussed with appropriate personnel. These comments are based primarily upon procedures employed during our examination and therefore, do not encompass all matters that might result from special studies directed toward such matters.

Commission Participation

The internal control system of the Port of Monroe is comprised of one clerical person, along with the involvement of the Port Commission and the City Clerk-Treasurer. We want to stress the importance of the Port Commission's continued participation in the system.

Monroe Port Commission

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Accounting for Environmental Costs

The purpose of this comment is to review the accounting for environmental costs. A liability was recorded based on an estimate of the Port's share of costs to resolve the environmental problems in a manner acceptable to The Michigan Department of Environmental Quality. The estimates and their methodology should be documented for future reference and compared to expenditures made. Any change in the estimate would be recognized at that time.

In the future, as the costs are paid, the environmental liability on the Port's balance sheet would decrease.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all officers and employees of the Port. We would be pleased to discuss any of these recommendations with you, and to provide any assistance that you may require in their implementation.

Very truly yours,

Cooley Hehl Wohlgamuth & Carlton, PLLC

July 22, 2004